

January 18, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 05-22 Compliance Filing

Dear Secretary Cottrell:

Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid (collectively "National Grid") hereby submit this compliance filing pursuant to the Department's December 30, 2005 letter order in the above-captioned docket. In its order, the Department approved recovery of the incentive National Grid earned associated with its performance during 2004 as measured by its Service Quality Plan, and ordered National Grid to submit a proposal for recovery. (Order at 3).

As the Department summarized in its order, for calendar year 2004 Massachusetts Electric Company earned an incentive of \$296,000 and Nantucket Electric Company earned an incentive of \$9,900. More specifically, as set forth in National Grid's documents in this proceeding, Massachusetts Electric Company earned an incentive of \$296,096 and Nantucket Electric Company earned an incentive of \$9,938, for a total of \$306,034.¹

National Grid proposes to net the 2004 incentive of \$306,034 against the residual balance of National Grid's 2003 Service Quality incentive, \$306,522. As approved by the Department in Docket No. DTE 04-22, National Grid recovered its 2003 Service Quality incentive of \$3,589,469 from customers during the three month period May 2005 through July 2005 through a Service Quality factor of 0.068¢ per kWh. As shown in Attachment 1 to this filing, this surcharge resulted in a \$306,522 over-collection which is now due to be returned to customers. Netting the 2004 incentive against the 2003 residual balance results in a balance of \$488 due to customers.

National Grid proposes to reflect the \$488 due to customers as a credit in the month of December 2005 in its default service reconciliation. Because the default service adjustment factor which results from the balance in the default service reconciliation is applicable to all of National Grid's customers, crediting this small amount in this reconciliation will reach all of National Grid's customers, as a Service Quality surcharge or refund does. National Grid believes that it is an

¹ The amount of \$296,096 for Massachusetts Electric Company can be found in National Grid's response to data request DTE 1-1, in which National Grid made a slight correction to the level of distribution revenue upon which the value of the penalties and incentives are based. The amount of \$9,938 for Nantucket Electric Company can be found in Section 2, Page 1 of 9, of its March 1, 2005 *2004 Service Quality Report*.

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equitable solution to close out all amounts associated with Service Quality through 2004. This proposal will enable National Grid to recover the incentive the Department has approved for recovery, and avoids having to reflect the miniscule refund on customer bills.

Please do not hesitate to contact me if you have any questions. Thank you very much for your time and attention to this filing.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Amy G. Rabinowitz". The signature is fluid and cursive, with the first name "Amy" being more prominent.

Amy G. Rabinowitz

cc: Service List

Massachusetts Electric Company
Nantucket Electric Company
Reconciliation of Service Quality Incentive
Earned for Calendar Year 2003 Performance

Section 1: Reconciliation of Amount Approved for Recovery

<u>Month</u>	<u>Service Quality Incentive Earned</u> (a)	<u>Service Quality Revenue</u> (b)	<u>Service Quality Ending Balance</u> (c)
May 2005	\$3,589,469	\$464,811	\$3,124,658
June	\$3,124,658	\$1,181,164	\$1,943,493
July	\$1,943,493	\$1,370,572	\$572,922
August	\$572,922	<u>\$879,444</u>	(\$306,522)
		\$3,895,991	
Remaining Balance			(\$306,522)

- (a) Beginning Balance per March 28, 2005 Service Quality Filing in DTE 04-22, Attachment 1, Section 1, Line (3)
Subsequent Months: Prior Month Column (c)
- (b) Section 2 below
- (c) Column (a) - Column (b)

Section 2: Calculation of Service Quality Revenue

	<u>kWh Sales</u> (a)	<u>Service Quality Factor</u> (b)	<u>Service Quality Revenue</u> (c)
May 2005	683,546,006	\$0.00068	\$464,811
June	1,737,006,485	\$0.00068	\$1,181,164
July	2,015,546,423	\$0.00068	\$1,370,572
August	1,293,299,439	\$0.00068	<u>\$879,444</u>
			\$3,895,991

- (a) Per Company billing records; May 2005 represents May usage billed in May; August 2005 represents July usage billed in August; factor was implemented for usage on and after May 1 through July 31
- (b) Service Quality Factor approved by the Department for implementation for usage on and after May 1, 2005
- (c) Column (a) x Column (b)